‘EVERYMAN A CAPITALIST?’ OR ‘FREE TO CHOOSE’? EXPLORING THE TENSIONS WITHIN THATCHERITE INDIVIDUALISM

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Abstract: It is widely recognised that ‘the individual’ was prioritised by the Thatcher governments. However there has been little analysis by historians of exactly how the Thatcher government conceptualised ‘the individual’. In this paper we attempt to remedy this deficiency by undertaking a case study of a key Thatcherite social policy reform: the introduction of ‘Personal Pensions’. This approach allows us to understand the position of ‘the individual’ on the functional level of Thatcherite policymaking. In doing so we argue that there was no coherent or fixed Thatcherite concept of the individual. Instead we identify three fundamental tensions: (i) should individuals be capitalists or consumers; (ii) were they rational or irrational; and (iii) should they be risk-taking entrepreneurs or prudent savers? This reflected, in part, conflicts within the diverse tapestry of post-war neoliberal thought. We demonstrate in this paper that these tensions undermined the Thatcher governments’ original attempt to create a society of entrepreneurial investor capitalists, which in turn cemented their preference for simply maximising individual freedom of choice within a competitive – yet tightly regulated – market environment.

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The authors are indebted to Amy Edwards, Andrew Seaton, Ben Jackson, Florence Sutcliffe-Braithwaite, contributors to discussion at a number of conferences, and the Journal’s anonymous referees for their very helpful and supportive comments on earlier drafts of this article. The research on which it was based was funded by the Arts and Humanities Research Council (AH/L004739/1, The Thatcher Pension Reforms and their Consequences).

I

The policies of Margaret Thatcher's Conservative governments between 1979 and 1990 are popularly understood as the expression of 'Thatcherism'. This term remains, as ever, an ill-defined concept subject to extensive debate.[2] Though some analysts have emphasised the material drivers of Thatcherism (either as a programme for saving capitalism following the crisis of the 1970s, or as effective election-winning statecraft), the debate amongst historians has primarily focused on its ideological character.[3] In particular, historians have attempted to identify the ideas which influenced and shaped the Thatcher governments. Thatcherism has been variously identified as having originated either in Margaret Thatcher's personal preferences and biases; in the ideas and traditions of the Conservative Party; or in the transnational intellectual and political movement of 'neoliberalism'.

Peter Riddell has argued that 'Thatcherism' was simply a reflection of Thatcher's personal instincts, which amounted to

> …a series of moral values and an approach to leadership rather than an ideology… [an] expression of Mrs Thatcher's upbringing in Grantham, her background of hard work and family responsibility, ambition and postponed satisfaction, duty and patriotism.[4]

For Eric Evans, Thatcher's convictions could be defined more specifically as

> [opposition to] state interference with individual freedom; state initiatives that encourage an ethos of 'dependency'; woolly consensuality; high levels of taxation;

[2] Ben Jackson and Robert Saunders, 'Introduction: Varieties of Thatcherism', in Ben Jackson and Robert Saunders eds., *Making Thatcher's Britain*, (Cambridge, 2012), pp. 1-22.
[3] Ian Gough, *The Political Economy of the Welfare State* (London, 1979); Jim Bulpitt, 'The Discipline of the New Democracy: Mrs Thatcher's Domestic Statecraft', *Political Studies*, 34: 1 (1986), pp.19-39.
[4] Peter Riddell, *The Thatcher Government*, (Oxford, 1985), p. 7.

> the propensity of both organised labour and entrenched professional interests to distort market forces; and a reluctance to be 'pushed around' personally or as a nation state.[5]

For Thatcher herself, these values amounted to a conscious rejection of the post-war 'consensus.' That rejection not only distanced her from Labour Party socialism but also from the governing elite of the post-war Tory party who had supposedly accommodated themselves with a large State, a mixed-economy, and a sectional trade union movement.[6] For these so-called Tory 'wets', Thatcherism represented an anti-Conservative commitment to excessive individualism and extreme liberal economic doctrine which was not in keeping with the party's traditions of gradualism and the championing of national community. Ian Gilmour, her most vocal Tory critic, alleged that she was not a true Conservative but simply a reconstructed nineteenth-century Manchester liberal.[7] E.H.H. Green, however, challenged Gilmour's view of Thatcherism as an alien ideology, and asserted that it was in fact a product of 'long-standing arguments and trends' in the 'subculture' of the Conservative Party.[8] He argued that, like Thatcher, the post-war Tory party was instinctively resistant to statist solutions wherever possible, and unified in its desire to build a 'property owning democracy.'[9]

An alternative interpretation views Thatcherism as the local British expression of 'neoliberalism' – a trans-national intellectual and political project which emerged in the middle of the twentieth century.[10] The 'neoliberal thought collective' (to use Plehwe and Mirowski's

[5] Eric J. Evans, *Thatcher and Thatcherism*, 3rd edn, (London, 2013), p. 3.
[6] Margaret Thatcher, *Downing Street Years* (London, 1993), pp. 6-8.
[7] Ian Gilmour, *Dancing with Dogma : Britain under Thatcherism*, (London, 1992), p. 9.
[8] E. H. H. Green, *Thatcher*, (London, 2006), p. 53.
[9] Matthew Francis, "A Crusade to Enfranchise the Many': Thatcherism and the 'Property-Owning Democracy', *Twentieth Century British History,* 23: 2 (2012), 276-79; Stephen Evans, 'The Not So Odd Couple: Margaret Thatcher and One Nation Conservatism', *Contemporary British History,* 23: 1 (2009), pp. 108-9; Aled Davies, "Right to Buy': The Development of a Conservative Housing Policy, 1945-1980', *Contemporary British History,* 27: 4 (2013), pp. 421-444. See also the literature on the post-war consensus, e.g. Harriet Jones and Michael Kandiah, eds., *The Myth of Consensus: new views on British History, 1945-64*, (Basingtoke, 1996).
[10] See, for example, Jamie Peck and Adam Tickell, 'Conceptualising Neoliberalism, Thinking Thatcherism', in Helga Leitner, Jamie Peck, and Eric S. Sheppard, eds., *Contesting Neoliberalism: Urban Frontiers*, (New York, 2007), pp. 26-50.

terminology) consisted of a diverse range of intellectuals and institutions committed to the overthrow of the post-war social democratic order in defence of individual liberty.[11] In the British context, the relationship between neoliberalism and the political project of the Conservative Party under Margaret Thatcher has primarily focused on the way in which neoliberal ideas entered British politics via dedicated 'think-tanks', the most notable of which were the Institute of Economic Affairs and the Tory-affiliated Centre for Policy Studies.[12] It is dangerous to make too easy an elision between Thatcherism and neoliberalism and easy to overestimate its coherence but, as Daniel Stedman-Jones noted, it is often accepted that whilst 'Thatcherism' may have developed in an unplanned way from its initial 'monetarist' economic strategy, 'it came to include many other measures that were inspired by neoliberal theories.'[13]

Attempting to identify 'crisply unambiguous, essentialist definitions' of neoliberalism has become, according to Jamie Peck, 'the bane of many a political lexicographer.'[14] In general, efforts to understand neoliberalism fall into two categories. The first is a history of ideas approach which has sought to understand the development of neoliberal thought in the twentieth century.[15] The key contribution of this literature, other than to reveal the activism and impressive organisation of individuals and groups associated with the Mont Pelerin Society, has been to demonstrate that there was never a unified 'neoliberal' ideology. In particular, there was a tension between the early 'ordoliberal' tradition which emerged in Germany during the 1940s, and the later priorities of the 'Chicago school'. Where the former sought to use the State to break

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[11] Dieter Plehwe, 'Introduction', in Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin : The Making of the Neoliberal Thought Collective,* (Cambridge, MA, 2009), pp. 14-15.

[12] Ben Jackson, 'The Think Tank Archipelago: Thatcherism and Neo-Liberalism', in *Making Thatcher's Britain,* pp. 43-61; Richard Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983*, (London, 1994); Radhika Desai, 'Second-Hand Dealers in Ideas: Think-Tanks and Thatcherite Hegemony', *New Left Review,* I: 203, (1994), pp. 27-64; Brian Harrison, 'Mrs Thatcher and the Intellectuals', *Twentieth Century British History,* 5: 2 (1994), pp. 206-45.

[13] Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*, (Princeton, NJ, 2014), p. 261.

[14] Jamie Peck, *Constructions of Neoliberal Reason*, (Oxford, 2010), p. 8.

[15] Plehwe and Mirowski, eds., *The Road from Mont Pelerin*; Ben Jackson, 'At the Origins of Neo-liberalism: the free economy and the strong state, 1930 – 1947', *The Historical Journal*, 53: 1 (2010), pp. 129-151; Rachel S. Turner, *Neo-liberal Ideology: history, concepts and policies*, (Edinburgh, 2008).

all private monopolies and to create entrepreneurial individuals through interventionist social and economic policies, the latter sought to liberate innately rational and self-interested individuals from the shackles of state bureaucracy through the maximisation of choice within a free market.[16]

The second approach to analysing neoliberalism has been developed by sociologists working in a Foucauldian tradition. This approach develops Michel Foucault's concept of 'governmentality' which he introduced in his lectures at the College de France in 1978.[17] As part of his attempt to understand the exercise of power in liberal societies, Foucault identified a form of 'neoliberal governmentality' in which individuals are required to take responsibility for their own self-government. From this perspective, neoliberalism is understood as a process of subjectification, in which the individual is constructed according to specific moral, ethical, and behavioural norms. According to Thomas Lemke, in his summary of Foucault's argument:

> [t]he key feature of the neo-liberal rationality is the congruence it endeavours to achieve between a responsible and moral individual and an economic-rational actor. It aspires to construct prudent subjects whose moral quality is based on the fact that they rationally assess the costs and benefits of a certain act as opposed to other alternative acts. As the choice of options for action is, or so the neo-liberal notion of rationality would have it, the expression of free will on the basis of a self-determined decision, the consequences of the action are borne by the subject alone, who is also solely responsible for them.[18]

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[16] Werner Bonefeld, 'Freedom and the Strong State: On German Ordoliberalism', *New Political Economy*, 17: 5 (2012), pp. 633-656; Robert Van Horn and Philip Mirowski, 'The Rise of the Chicago School of Economics', in *The Road from Mont Pelerin*, pp. 139-180.

[17] Michel Foucault, *The Birth of Biopolitics: Lectures at the College de France, 1978-1979*, (London, 2008).

[18] Thomas Lemke, ''The Birth of Bio-Politics': Michel Foucault's lectures at the College de France on neo-liberal governmentality', *Economy and Society*, 30: 2 (2001), p. 201.

This 'governmentality' literature provides an important interpretive framework for understanding neoliberalism, but it is not entirely satisfactory. There is a degree of imprecision in the model of the neoliberal liberal subject, particularly concerning whether the individual in neoliberalism is – or ought be – a 'consumer', an 'investor', a 'worker', or a 'saver', etc. For example, Rose claims that 'citizenship is to be manifested through the free exercise of personal choice among a variety of marketed options'.[19] Yet Langley emphasises the centrality of 'investment' as a neoliberal 'technology of the self'.[20] It may be possible to understand both the consumer and investor characteristics under the same umbrella of 'self-responsibility', however the elision of the two does suggest that more work is required in order to pinpoint a more specific and rigorous understanding of the 'neoliberal subject'.[21] Another key question produced by the governmentality literature concerns the sources of neoliberal subjectification. There is a reluctance by those working within the Foucauldian tradition to consider the influence of 'high-politics', and a much greater emphasis is placed on social relations, disciplinary institutions, and the production of knowledge.[22] This has left a gap between historians (who have concerned themselves with uncovering the ideological and material factors driving the State-centric shift to neoliberalism) and the Foucauldian approach which, as Birch as noted, does not attempt to explain causation.[23]

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[19] Nikolas Rose, *Governing the Soul: the shaping of the private self*, 2nd ed., (London, 1999), pp. 230-231.

[20] Paul Langley, 'The making of investor subjects in Anglo-American pensions' *Environment and Planning D: Space and Society*, 24: 6 (2006), pp. 919-934.

[21] Lemke, 'The Birth of Bio-Politics', pp. 201-2.

[22] Rose, *Governing the Soul*, 1989; Nikolas Rose and Peter Miller, 'Political Power beyond the State: Problematics of Government', *British Journal of Sociology*, 43: 2 (1992), pp. 173-205; Nikolas Rose, Pat O'Malley, and Mariana Valverde, 'Governmentality', *Annual Review of Law and Social Science*, 2 (2006), pp. 90-91.

[23] Kean Birch, 'Neoliberalism: The Whys and Wherefores… and Future Directions', *Sociology Compass*, 9: 7 (2015), p. 575; as an exception, see Nikolas Rose, 'Governing 'advanced' liberal democracies', in Andrew Barry, Thomas Osborne, Nikolas Rose, eds., *Foucault and Political Reason: Liberalism, Neo-Liberalism, and Rationalities of Government*, (London, 1996), p. 52.

Recent work by Florence Sutcliffe-Braithwaite has begun to develop more complex models for understanding the interactions between neoliberalism and Thatcherism.[24] For example, in regards to welfare payments, she argues that rather than representing a monolithic neoliberalism, the Thatcher government pursued a very specific strand of thought within neoliberalism and combined this with traditional Conservative values. This blending process often involved the rejection of some policy options promoted by influential neoliberals (such as Milton Friedman's proposal of a 'negative income tax').[25] Furthermore, Sutcliffe-Braithwaite demonstrates the centrality to the Thatcherite project of attempting to reform the moral and behavioural norms of British society. Associated in particular with Sir Keith Joseph, and encouraged by the sociological analyses of embourgeoisement which had developed since the late 1950s, Thatcherites sought to rejuvenate Britain by spreading 'bourgeois virtues' (self-discipline; self-help; deferred-gratification) to each individual. The intention, according to Joseph, was for these values to be 'internalised by all'.[26] Indeed, this ideal is reflected in one of Thatcher's most famous aphorisms – 'economics are the method; the object is to change the heart and soul'.[27] This is echoed in Shirley Robin Letwin's interpretation of Thatcherism as a project designed to imbue the public with 'vigorous virtues', and in turn supports the Foucauldian analysis of neoliberalism as primarily acting upon individual subjectivity.[28]

Nonetheless, despite the contributions of Sutcliffe-Braithwaite and Letwin, the position of 'the individual' within Thatcherism remains under-analysed by historians. It is evident, however, that if the innovative Foucauldian approach to understanding 'neoliberalism' is to be integrated within the existing well-established literature on Thatcherism, historians must focus much more closely on position of 'the individual' within the political project. The following

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[24] Sutcliffe-Braithwaite's work could be said to build upon Andrew Gamble's analysis of the tensions within Thatcherism in: Andrew Gamble, *The Free Economy and the Strong State* (Basingstoke, 1988)

[25] Florence Sutcliffe-Braithwaite, 'Neo-liberalism and Morality in the Making of Thatcherite Social Policy', *The Historical Journal*, 55: 2 (2012), pp. 497-520.

[26] Ibid., 516.

[27] Ronald Butt, 'Mrs Thatcher: the first two years', *Sunday Times*, 1 May 1981.

[28] Shirely Robin Letwin, *The Anatomy of Thatcherism*, (London, 1992).

analysis attempts to achieve this by examining the Thatcherite concept of 'the individual', and the Thatcher governments' agenda for reform of the individual, via a case study of the development and introduction of a major social policy innovation: the 'Personal Pension'.

II

In the 1980s, Conservative governments reshaped the landscape of British pensions, both private and public, through an array of legislative changes. Their most obviously revolutionary change was to introduce a new system of individualised 'personal pensions' in the 1986 Finance Act. Thereby, in combination with the Social Security Act of the same year, the government sought to pass to the individual the responsibility for ensuring an income in old age over-and-above the minimalist basic state pension and to break with collective provision, whether by the state or by employers via an 'occupational pension' scheme. In the process, the architects of change had hoped also to personalise investment in British firms by turning the country into a nation of individual pension fund investors. The introduction of the new personal pensions was therefore explicitly about rebalancing away from the collective to the individual and, as such, provides a perfect opportunity to study how neoliberal conceptualisations of 'the individual' informed the development of policy.

On entering government in 1979 the Conservatives inherited a pensions structure comprised of two pillars. The first of these pillars - the basic state pension - provided a minimum income in retirement via a system of national insurance. In accordance with the original intentions of William Beveridge, this limited retirement income was supplemented by a second pillar of private pension arrangements, although this had come to be supplemented by a state-run alternative. Almost all private pension arrangements for workers other than the self-employed took the form of occupational pensions, in which employers and employees contributed to a pension fund which was managed by the former (though often by an insurance company working on the employer's behalf). Occupational scheme membership had risen from

6.2 million in 1953 to 11.8 million in 1979 - an increase from 29 per cent to 51 per cent of the total workforce.[29] Widening occupational pension scheme membership had resulted in a substantial growth in the size of pension funds (the accumulation of invested pension contributions), from an estimated total real market value (in 1978 prices) of £8.3 billion in 1957 to £31 billion in 1978.[30] These savings were invested on the London Stock Exchange on behalf of their members, resulting in a massive 'institutionalisation' of ownership and investment in the British economy. By 1981 pension funds and insurance companies were recorded as the nominal owners of almost half of all shareholdings on the London Stock Exchange.[31] For the remainder of the workforce not enrolled in a workplace scheme, the State provided a State Earnings Related Pensions Scheme (SERPS) – introduced in 1978 as a development of earlier, much less-generous, earnings related state provision that had acted as a 'backstop' to the private sector. SERPS did not invest in the market, it was a 'pay-as-you-go-scheme' in which contributions were recycled through the national insurance fund to pay present-day benefits, but it did offer an earnings-related top up to the basic state pension that would in combination provide to a worker retiring after forty years of service a pension of about fifty per cent of their income (as many occupational schemes did). In short, by the time the Conservatives took office in 1979 a second pillar of British pensions had come into being that covered all employed workers and which embodied a productive partnership between the state and employers.

The consensus that had been constructed around a mixed-economy second pensions pillar did not survive long for as soon as they were elected in 1979 the Conservatives broke with it, not least because they decried the future costs to the state of promises embodied in SERPS. In 1984 an inquiry into the UK pensions system was set up under the Secretary of State for Health and Social Services, Norman Fowler. The inquiry had a dual focus: evaluating the long-term financial sustainability of SERPS; and considering the feasibility of proposals to introduce

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[29] Joan C. Brown and Stephen Small, *Occupational Benefits as Social Security*, (London:, 1985), p. 138, p. 153.
[30] Cmd. 7937, *Report: Committee to Review the Functioning of Financial Institutions*, (1980), Appendix Table 3.50.
[31] John Plender, *That's the Way the Money Goes: Financial Institutions and Your Savings*, (London, 1982), pp .40-42.

'Personal Pensions'. This latter idea had originated as a response to the so-called 'early leaver problem' for occupational pensions, in which employees who changed jobs (and been forced to leave their accrued pension contributions with their previous employer) saw the value of their pension savings eroded by high rates of inflation. A radical solution to this problem was suggested by the right-wing think-tank Centre for Policy Studies (CPS) in 1983. Proposed by Nigel Vinson (a businessman and founding member of the CPS) and Phillip Chappell (a merchant banker), their idea was to enable all employees to take responsibility for their own pension in the form of a 'personal and portable pension' (PPP). They argued that the most effective means to overcome the 'grave injustice on those who change jobs' was for pension rights to be personalised (rather than aggregated in large occupational funds) and fully transferable when moving jobs.[32] This idea was given enthusiastic backing by the Prime Minister and her advisers in Downing Street, and so Fowler was tasked with finding a way to make it work. Following an inquiry which, as we will see, revealed only limited external support for 'Personal Pensions', the reform was introduced as part of the 1986 Social Security Act.

In the process of implementing pension reform, however, policy makers were forced to confront contradictions within the ideas that underlay the proposals for that reform. Most significantly, if this was a policy that individualised pensions, how exactly was the individual conceived? Was the typical individual making provision for their income in retirement to be an investor-capitalist or a consumer in the market for financial products; were their decisions likely to be rational or irrational; were they to be a risk-taking entrepreneur or a prudent saver?

III

As Letwin and Sutcliffe-Braithwaite have both argued, the Thatcher governments sought to reform the moral and behavioural norms of individuals within British society. However, the

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[32] Centre for Policy Studies, 'Personal and Portable Pensions – for all', (April 1983) http://www.cps.org.uk/publications/reports/personal-and-portable-pensions-for-all/, [Last accessed: 11 March 2017].

development of the 'Personal Pensions' policy demonstrates that there was no fixed vision of a prototypical Thatcherite individual. (Except in one respect – gender, for despite a marked rise in female participation in the labour force in the 1980s, and despite the fact that women had much poorer pension coverage than men (an issue that had been central to the reform of pensions in the 1970s), the architects of pension reforms in the 1980s routinely assumed that 'the individual' they were discussing was a man. Ironically, this was exactly the 'male breadwinner model' which had underpinned the Beveridge plan in the 1940s). Indeed, the conceptualisation of the individual by the architects of change was characterised by fundamental tensions and inconsistencies. The foremost of these concerned whether the aim should be to make individuals into investor-capitalists, or to create a society of free consumers.

The 1986 Social Security Act gave all individuals the right to leave their occupational pension scheme, or the State-run SERPS equivalent, and transfer their pension savings into a 'personal pension'. In doing so, individuals were afforded the freedom to choose from a variety of private providers who would be responsible for investing those savings on their behalf. However, this was not the model envisaged by Nigel Vinson and Phillip Chappell when they first proposed the CPS' idea of individualising pensions. They wanted to provide a 'constructive alternative philosophy to socialism' which could 'spread wealth, decision making and self-fulfilment'.[33] 'Personal pensions' would create a 'capital owning society' by challenging what Vinson described as the 'increasingly insidious concentration of wealth in the hands of financial institutions.'[34] One could argue, as Margaret Thatcher had done in 1977, that 'the great occupational pension and life insurance funds' represented a 'kind of people's capitalism'.[35] Yet for Vinson and Chappell, the key issue was that the institutionalisation of savings and investment

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[33] Hugh Thomas and Alfred Sherman, 'Centre for Policy Studies: Reports of Study Groups 1980-81', February 1981, Margaret Thatcher Foundation website [hereafter MTF]: http://www.margaretthatcher.org/document/121408, 121408.

[34] Nigel Vinson to Sir Russell Smith, 26 October 1983; the National Archives [hereafter TNA]: T 530/77,; Lord Thomas of Swynnerton and Alfred Sherman, 'Centre for Policy Studies: Reports of Study Groups 1982-83', February 1983, http://www.margaretthatcher.org/document/131497, MTF 131497.

[35] Margaret Thatcher, 'Speech to the Zurich Economic Society: The New Renaissance', 14 March 1977, http://www.margaretthatcher.org/document/103336, MTF 103336.

obscured the individual's relationship with their accrued personal wealth. Institutional ownership meant that there was no 'personal identification' with the assets indirectly owned by the individual. Such ownership 'at second-hand' was not, claimed Vinson, 'ownership in the motivational sense'.[36] As Vinson informed the government's pensions inquiry in 1984:

> '…unless some pension changes are introduced now to restore a greater sense of personal ownership, simplicity, and genuine involvement in the underlying asset, the nation's wealth, increasingly dominated by retirement provision, will be regarded as nobody's money'.[37]

According to Vinson, the goal should be 'to turn "nobody's money" into "somebody's money."'[38] This was necessary because '…only if individuals participate directly in the creation of wealth can they understand the benefits which it brings to society at large.'[39]

The CPS agenda was to help ensure the long-term survival and reinvigoration of capitalism by turning passive pension-savers into active investor-capitalists. Not only would the personalisation of pensions make individuals more aware of their own personal wealth, the CPS argued, but it would educate them in the operation of the capitalist system. Through their direct personal involvement in the wealth accumulation which was to support them in old-age, individuals would come to understand the actual 'wealth creation' process and the utmost necessity of profitable enterprise.[40] Vinson told the Fowler inquiry that for people to 'understand

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[36] Nigel Vinson, 'IV. Personal Capital Formation', in Thomas and Sherman, 'Centre for Policy Studies: Reports of Study Groups 1980-81', February 1981, MTF 121408; 'Centre for Policy Studies: Reports of Study Groups 1982-83', February 1983, MTF 131497; Vinson to Sir Russell Smith, 26 October 1983, TNA: T 530/77.
[37] Nigel Vinson and Philip Chappell to Nick Montagu, 9 February 1984, TNA: BN 147/27.
[38] Nigel Vinson, 'Draft Statement to be issued by Centre for Policy Studies if and when the government announces the option of Personal and Portable Pensions for all', July 1984, TNA: BN 147/10.
[39] Philip Chappell and Nigel Vinson, 'Owners All: a proposal for Personal Investment Pools', *CPS: Policy Challenge*, (October, 1985), http://www.cps.org.uk/publications/reports/owners-all/. [Last accessed: 11 March 2017].
[40] Centre for Policy Studies, 'Personal and Portable Pensions, Evidence to the Retirement Provision Inquiry', 6 January 1984, TNA: T 530/128.

the process of wealth creation' they must have a 'first-hand knowledge of it.'[41] This was supported by others, most notably Walter Goldsmith (Director General of the Institute of Directors), for whom the personal pension idea offered the opportunity to imbue the public with capitalist values. Britain was, according Goldsmith, 'a capitalist country with too few capitalists', and there was a need for 'more knowledge about how to use money and to make money'.[42] According to Adam Ridley (political advisor to Nigel Lawson, then Chancellor of the Exchequer), the Prime Minister herself shared these goals and aspired to create a pension system which favoured 'risking-taking, wealth creation, and diminish[ed] institutionalisation.'[43] In light of this, the CPS' proposal envisaged individuals being given the freedom to take direct personal control over the investment of their pension savings. This was implicit in the stated aim of allowing individuals to 'run their own personalised pensions as if they were self-employed' (who were already permitted to self-invest their pension savings).[44] Such thinking was initially attractive to the ministers at the Department of Health and Social Security (DHSS), with the initial Blue Paper on 'personal pensions' suggesting that stockbroking firms could provide services and advice on managing personal investment portfolios.[45] In its most radical form, then, a personal pension would liberate the individual from a restricted, intermediated, second-hand engagement with capitalism by allowing them to prepare for old age by playing the stock-market themselves and investing directly in the economy.

However, the assertion that personal pensions would serve to de-institutionalise investment and create a new breed of investor-capitalists was met with a significant degree of scepticism from pensions experts and industry representatives. Most scorned the idea that individuals would actually take personal control over their investments. Evidence submitted by

[41] DHSS Public Inquiry into Provision for Retirement, 24 January 1984, TNA: BN 147/36.
[42] D Allson, 'Institute of Directors Pensions Conference', 21 December 1983, TNA: BN 147/32.
[43] Adam Ridley to the Chancellor of the Exchequer, 'Portable Pensions and all that', 11 November 1983, TNA: T 530/128.
[44] 'Personal and Portable Pensions – For All'.
[45] Eric Short, 'Era of greater choice', *Financial Times*, 1 February 1986.

the Life Offices Association to a DHSS conference on early leavers suggested that individuals were much more likely to delegate the management of a personal pension to an insurance company.[46] This was reiterated by the ex-chairman of the National Association of Pensions Funds, Maurice Oldfield, who informed the Fowler inquiry that portable personal pensions would actually 'bring about a concentration of investment decision-making rather than a widening' since many thousands of occupational funds would be replaced a small group of financial institutions managing millions of personal pensions.[47] Likewise, in the Treasury, Adam Ridley was persuaded that personal pensions would actually only end up giving individuals more choice over who managed their money on their behalf, with the plan leaving pensions 'heavily institutionalised if it is achievable at all'.[48] The ideal of radical reform to create a nation of active investors was thus faced with the constraints of practical reality, with the individual falling short of the ideal.

Faced with severe doubts about the preparedness and ability of individuals to invest their pension savings directly, the CPS and its supporters were forced into a change of emphasis. Though they still claimed that 'the individual should be free, if he [sic] wishes, to determine absolutely his investment policy for his own portfolio, including personal stock selection', over time Vinson and Chappell were forced to demote the role of investor-capitalist to one that a minority of individuals should be able to choose if they were so inclined.[49] In giving oral evidence to the Fowler inquiry, Chappell stressed that the freedom to 'determine their investment portfolio, including personal stock-selection' would be a 'privilege that rather few people would want to take care of, but we think it is a privilege that they should have the

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[46] The Life Offices' Association/Associated Scottish Life Offices, 'Occupational Pension Schemes Early Leavers (Paper presented to Joint Working Group at the One-Day Conference on Early Leavers started by the Secretary of State for Social Services at the Department of Health and Social Security)', 14 September 1983, Alfred Sherman papers, Royal Holloway, University of London [hereafter AC], AC 946.

[47] Maurice Oldfield to N Montagu, 'Inquiry into Provision for Retirement: Portable Pensions', 24 January 1984; TNA: BN 147/26; DHSS Public Inquiry into Provision for Retirement, 24 January 1984, TNA: BN 147/36.

[48] Adam Ridley to the Chancellor of the Exchequer, 'Portable Pensions and all that', 11 November 1983, TNA: T 530/128.

[49] Centre for Policy Studies, 'Personal and Portable Pensions, Evidence to the Retirement Provision Inquiry', 6 January 1984, TNA: T 530/128.

freedom to develop if they wish to'.[50] Any ambitions for ushering in a wider societal shift were now downplayed by the CPS. Concerning the mooted proposal that individuals could use their pension funds to back small businesses, Chappell asserted that they had 'never suggested… that there would be a whole new breed of street corner capitalists', but instead 'only at the fringe' should some people have 'the opportunity to back the guy next door.'[51] When presented with the objection that the general public did not have the instinct, inclination, or ability to take full control of their pension investments (discussed below), the CPS was pushed into a defensive position which emphasised that individuals should simply be free to choose whether they wanted to take on such responsibility or not. Thus the CPS was forced to argue that everyone *could*, rather than *should*, become an investor-capitalist.

Such emphasis on freedom of choice opened an alternative reform route. If individuals would not embrace individual investment *en masse*, the CPS argued that they should instead be given greater freedom of choice over who managed their pension savings for them. An alternative proposal by the Central Policy Review Staff, commissioned by No. 10, had recognised the limits of self-investment and proposed a 'personal occupational pension' (POP) in which employers would offer individuals 'the choice between, say, three individual plans offered by financial institutions which are now permitted to solicit investments from the public'.[52] The CPS went further and argued that 'a far wider range of institutions, e.g. building societies, banks and existing occupational schemes, should be allowed to operate personal portable pensions' and that 'the widest range of authorised managers should be enabled to introduce greater flexibility of investment media'.[53] Likewise, although other advocates, such as Walter Goldsmith, remained committed to the 'desirable end' of 'control by each individual of his own destiny in terms of financial resources', it is clear that he ultimately accepted that out-and-out investment control

[50] DHSS Public Inquiry into Provision for Retirement, 24 January 1984, TNA: BN 147/36.
[51] Ibid.
[52] 'Pensions and Individual Choice: a paper by the CPRS', April 1983, TNA: PREM 19/1004.
[53] Centre for Policy Studies, 'Personal and Portable Pensions, Evidence to the Retirement Provision Inquiry', 6 January 1984, TNA: T 530/128.

had to take second-place to the expansion of choice within the pensions market.[54] Of course, this new emphasis on the primary importance of free choice also had impeccable neoliberal ideological credentials, reflecting as it did Hayek's view that all individuals should be compelled to purchase private social insurance.[55]

Ultimately the Government's personal pension policy did not prioritise freedom of investment. The *Financial Times* pensions correspondent, Eric Short, noted that

> …though the principle of freedom of choice for employees [had] been maintained, the complete freedom envisaged in the original CPS paper has been curtailed… there is not complete investment freedom.'[56]

Instead, all employees were encouraged to opt-out of SERPS or their occupational pension but were only permitted to choose 'the kind of body to invest their pension savings' on their behalf.[57] Indeed, individual investment freedoms were in fact severely curtailed as the government prohibited individuals from using their pension savings in a personal investment portfolio.[58] Moreover, institutions themselves were constrained in how they could invest, and individuals were forbidden from putting all their savings in risk-inclined schemes.[59] It is evident, therefore, that following the conclusion of the Fowler inquiry into pensions, DHSS ministers started to prioritise 'choice' above all else and the language of 'choice' came to dominate the policymaking discussion. For example, in October 1985 Fowler informed Thatcher that 'our objective … [is] to increase choice through the option of personal pensions.'[60] In a subsequent memorandum for

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54 Water Goldsmith to Norman Fowler, 31 January 1984; TNA: BN 147/36, DHSS, Public Inquiry into Provision for Retirement, 14 February 1984, TNA: BN 147/30.

55 Friedrich A. von Hayek, *The Constitution of Liberty*, (Abingdon: Routledge, 1998 [First published: 1960]), pp. 248-65.

56 Eric Short, 'Freedom to choose has its pitfalls', *Financial Times*, 1 February 1986.

57 C (85) 27, Review of Social Security: Final Decisions, Memorandum by the Secretary of State for Social Services, 25 November 1985, CAB 129/219/27.

58 Short, 'Freedom to choose has its pitfalls'.

59 Short, 'Era of greater choice'.

60 Norman Fowler to Prime Minister, 'Social Security Review: the next steps', 1 October 1985, TNA: BN 13/299.

the Cabinet, Fowler asserted that 'personal pensions are an essential element in our policy of improving job mobility and giving people more choice'.[61]

The process by which these reforms emerged suggests a much more complex relationship between Thatcherism and neoliberalism than is often assumed. Advocates of personal pensions appear to have started from a shared diagnosis that individuals needed to be brought into a direct relationship with the capitalist system via the investments that would fund their old age. However, as they translated this into policy, scepticism as to how far this could be achieved in practice enforced a change of priorities - from investment and control, to freedom and choice.[62] Both of these positions were consonant with neoliberal ideological traditions (the former reflecting the ordoliberal concept of *vitalpolitik*; the latter in keeping with Hayek and the Chicago school), but it is only as a result of the frictions and limitations exposed in the policymaking process that the latter came to dominate.[63]

IV

The same collision between neoliberal theory and practice characterised attitudes to individuals' rationality. As Foucault noted, neoliberalism has at its heart an underlying assumption that *homo economicus* responds rationally to the invisible hand of the market.[64] Individuals 'become, as it were, entrepreneurs of themselves, shaping their own lives through the choices they make among the forms of life available to them'.[65] Yet we find in the pension policy making of the 1980s a continual tension between the idea of the individual as a rational actor

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[61] C (85) 27, Memorandum by the Secretary of State for Health and Social Services, 'Review of Social Security: final decisions', 25 November 1985, TNA: CAB 129/219/27.

[62] The failure to create a society of small, private investors in the 1980s is also examined in Amy Edwards, "Manufacturing Capitalists': The Wider Share Ownership Council and the Problem of 'Popular Capitalism'", *Twentieth Century British History*, 27: 1 (2016), pp. 100-23.

[63] On *vitalpolitik*, see Bonefeld, 'Freedom and the Strong State', pp. 633-56.

[64] Foucault, *The Birth of Biopolitics:*, Lecture of 28 March 1979. On the centrality of rational actor assumptions within Thatcherism see Letwin, *The Anatomy of Thatcherism*, p. 340.

[65] Rose, *Governing the Soul*, p. 230.

freely making fully-informed decisions about investing for their retirement and an implicit recognition of irrationality in that individuals could not be trusted to make the right decisions.

Writing as early as 1957, in *Pensions in a Free Society,* Arthur Seldon (then Editorial Director at the Institute for Economic Affairs, a think tank identified by Cockett as later being at the heart of the neoliberal revolution in the UK) had decried the compulsory enrolment of staff into occupational pensions, arguing that individual employees should be allowed to opt out in order to exercise free choice.[66] Three years later, however, Seldon acknowledged the implicit irrationality of individuals in taking 'too short a view of the future' and accepted a role for the tax system in incentivising retirement savings.[67] From the start, therefore, the 'neoliberal' individual investor/saver was at once a rational exerciser of free choice and an irrational actor in need of guidance and (implicitly) of protection by the state to prevent them becoming dependent upon it in old age.

This tension was clearly evident in the Conservatives' reorientation of policy after Thatcher's election as party leader. For example, the party's 1976 policy document, *The Right Approach*, clearly expressed an intention to place saving in the hands of the individual in order to increase 'the scope for personal independence and responsible citizenship'.[68] 'The Right Approach to Social Policy' (a planned but never published policy document) also made explicit the desire to move from redistribution by the state to individual wealth creation.[69] Yet, when we examine *The Right Approach to the Economy* we find a clear tension between the individual conceptualised as a rational investor in a capital-owning democracy and the professed need to use tax reliefs to encourage saving; and thus a recognition that some individuals would not make

[66] Cockett, *Thinking the Unthinkable*.
[67] Arthur Seldon, *Pensions in a Free Society* (London, 1957); Idem., *Pensions for Prosperity* (London, 1960).
[68] Conservative Party, *The Right Approach: A Statement of Conservative Aims* (London, 1976).
[69] The Right Approach to Social Policy: Social Services (draft), 1978, Conservative Party Archive, Bodleian Library [hereafter CRD]: CRD: 4/7/71.

rational decisions about provision for their old age and an acceptance of a role for the state in shifting their self-interest (and thus shaping their 'rationality').[70]

In fact, even as *The Right Approach* praised the virtues of the individual as rational investor acting in their own interest, Thatcher was extolling the virtues of occupational pension schemes and life insurance funds as vehicles for the accumulation of personal capital. That, however, was to praise institutions taking decisions on behalf of workers and savers even as she identified the individual's freedom 'to make choices' in a free economy as fundamental to both a free society and to what she termed 'a moral society … not a society where the State is responsible for everything, and no one is responsible for the State.'[71] Again, therefore, a clear tension can be seen, with the individual portrayed as at once rational and irrational, as active and passive, as an economic actor in their own right and an actor in need of paternalistic guidance.

This palette of contradictory conceptualisations of the individual persisted once the party entered government. For example, the presumed benefits and limits of individuals' ability to make rational self-interested decisions were especially evident in the CPS's publications and its written evidence to the Fowler enquiry. Yet, much as *Personal and Portable Pensions for All* intended to give all those in employment the option to administer their own pension, it also accepted that individual investment would not necessarily be for everyone and that some sort of state oversight and incentivisation would be needed to ensure that sufficient contributions were made and that they were invested effectively. Certainly the ultimate aim ('perhaps ahead of its time') was to move to an entirely individualised system in which individuals took their own decisions about retirement savings and investment; but even in that ambitious vision (less than 'rational') individuals were apparently still going to need incentives to save.[72]

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[70] Geoffrey Howe et al, *The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government* (London, 1977).
[71] Thatcher, 'Speech to the Zurich Economic Society...'
[72] Centre for Policy Studies, 'Personal and Portable Pensions – for all'.

One strong objection to the CPS's radical vision of individuals directly investing their retirement savings was doubt about the desire and ability of individual employees to make rational investment decisions. The life insurance company Legal and General, an enthusiastic proponent of personal pensions, commissioned consumer research into likely demand but this served to reveal that only a quarter of employees wanted a 'do-it-yourself' alternative to occupational pensions. Consequently, the insurer warned the Fowler enquiry that personal pensions would be suitable only for a minority of employees (and even then would need both continued tax incentivisation and regulation).[73] This active minority was to the fore in much evidence to that enquiry, which tended to conceptualise the potential PPP investor as at least 'reasonably competent' financially and more often as someone possessing both knowledge and initiative. Often those giving evidence implicitly presented that individual either as a business owner or, more commonly, as a more educated employee who might be interested in saving for retirement on their own account, but via 'safe' institutional funds investing predominantly in bonds rather than equities. Yet many were sceptical about the degree to which individuals were equipped to make such decisions.[74] For example, Ken Thomas of the TUC dismissed the idea that there was a large reservoir of financially well-informed employees wishing rationally and actively to undertake their own pension investment and found it 'quite laughable to imagine that the vast majority of working people of this country – and I am not insulting them – want the opportunity to play the stock markets themselves'.[75] The Society of Pensions Consultants warned that personal pensions were 'unlikely to be a "wise choice" for individuals' because 'given choice and lack of understanding many individuals could make decisions they might live to regret'.[76]

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73 Inquiry into Provision for Retirement, Portable Pensions, Evidence Submitted by Legal & General Assurance Society Ltd., January 1984, TNA: BN 147/26; see also Eric Short, 'Pension plans criticised', *Financial Times*, 10 September 1983.

74 See TNA: BN 147/26 and /36 *passim* but particularly contributions from T. S. Shucksmith (Shucksmith & Co., Consulting Actuaries), Maurice Oldfield (Chairman, National Association of Pension Funds), and J. J. Mackenzie (London and Manchester Assurance).

75 'DHSS Public Inquiry into Provision for Retirement', 29 February 1984, TNA: BN 147/36.

76 IPR(PP)8, N. Montagu, 'Summary of written submissions for bodies giving oral evidence', 9 February 1984, TNA: BN 147/26.

Others warned of the potential for misselling (something plainly at odds with the idea of a rational and well-informed investor) – the chairman of the National Association of Pension Funds, for example, warned that the PPP 'opens up the prospect of some rich pickings for the commission only salesmen who have already been issued with their battle gear' and Save and Prosper warned that 'people will be victims of dishonest or incompetent salesmen'.[77] We should therefore understand the CPS's forced retreat from its most radical policy option as a recognition that paternalistic guidance would remain the norm. Although the implied hope was that via the provision of PPPs and government tax reliefs on contributions individuals might be nudged away from that paternalism, even the CPS had to accept pragmatically the reality of widespread individual 'irrationality'.

We can clearly see this tension between the individual as a rational being or as someone in need of protection from their own irrationality in the response of the Central Policy Review Staff (No. 10's internal think tank) to its brief from the prime minister's office to produce a workable policy on personal pensions.[78] Although the CPRS's proposed policy agenda was rapidly repudiated by Thatcher for its startling and politically potentially explosive ambition (she plainly feared a potential 'pensions privatisation' controversy akin to that created by another CPRS memorandum on radical options for welfare state reform just over a month previously - which had created consternation in the cabinet and, when subsequently leaked to the *Economist,* a public outcry about the government's 'plans to privatise the NHS') the CPRS's analysis nonetheless captured many of the key tensions between ideology and practical policy.[79] The fundamental question posed by the CPRS ('Are people encouraged to be self-reliant and save as they think best for their retirement needs, or is the whole system weighed down by the

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[77] M. Oldfield to N. Montagu, 'Inquiry into Provision for Retirement: portable pensions', 24 January 1984, TNA: BN 147/26; IPR(PP)6, N. Montagu, 'Further notes by Save and Prosper Group', 25 January 1984, TNA: BN 147/26.

[78] John Sparrow to Norman Fowler, 'CPRS Work Programme – Pensions', 19 October 1982, TNA: CAB 184/169.

[79] Nigel Lawson claimed that the CPRS memorandum on welfare state reform 'caused the nearest thing to a Cabinet riot in the history of the Thatcher administration' – Nicholas Timmins, *The Five Giants: A Biography of the Welfare State* (London, 2001), p. 390.

paternalism of the state and corporations?'), signalled its intention to design a system premised on freeing the rational individual (not least by abolishing the 'paternalistic' SERPS). Yet, the CPRS always viewed this ability to make rational decisions as conditional. To 'encourage a self-reliant and responsible approach to retirement saving', it would be necessary both to incentivise independence through tax reliefs and to improve individuals' knowledge. In the long run, the latter would be achieved through 'better schooling to prepare people for life's financial responsibilities', but also by simplifying the system and reducing the state and employer paternalism that partly created ignorance.[80] The individual's ability rationally to save was therefore not seen as axiomatic by the CPRS; it required will and knowledge that must be shaped via a complex system of compulsion, incentivisation, and education.

Thus, when confronted with the reality of existing saving behaviours, the CPRS's proposals for portable occupational pensions accepted the need for paternalistic compulsion to counteract suspected irrationality. It was particularly concerned about higher-earning middle managers who benefited from SERPS, but were themselves 'not used to saving significantly for retirement' and faced competing commitments, such as family and home-purchasing, during their working lives. 'Until the habit of saving became much more deeply integrated', it was not likely that 'this group would save as much for retirement privately as they now do compulsorily through pooled schemes'. To resolve this the CPRS suggested that companies might continue to enforce a minimum level of saving so that 'these employees would have the right to choose how to save, (i.e. through the company scheme or through a POP), but not whether to save'.[81]

The acceptance that many would fall short of the ideal of a rational and perfectly informed actor taking active responsibility for the investment of their retirement savings was clearly also evident in the later DHSS consultative document. In this, Fowler recognised that 'many people will be content to stay in their employer's scheme, with the advantages that large-

[80] 'Pensions Issues and Policies: a paper by the CPRS', April 1983, TNA: PREM 19/1004.
[81] 'Pensions and Individual Choice: a paper by the CPRS'.

scale investment and expert management can offer.'[82] For those wanting to take up the opportunity to take out a personal pension there would not just be fiscal incentives but also a requirement to make a minimum level of contributions. Those contributions would be made to government-approved pension savings schemes that would operate within a regulatory framework (though this would turn out to be inadequate) and there were to be restrictions on what types of investment would be eligible. As the DHSS put it, 'Pension decisions have major long-term effects and therefore there must be safeguards for the public'.[83] This was to be a world of incentivised individual pension savings in pooled funds run by regulated institutions. Rationality was thus not taken as a given; it would have to be shaped, but also constrained.

Although the CPS welcomed the government's 'personal pension' proposals as the first step on the way to its desired personalisation of pension wealth, the truth was that in the process of reform a substantial reconfiguration had taken place that had required a reconceptualization of individual rationality.[84] The initial conception of PPPs had been founded on the idea of a rational, well-informed and active investor accumulating capital through direct investment in British firms; the PPP as actually implemented was founded on a vision of the individual as a relatively uninformed and passive saver; someone who was sometimes rational enough to recognise the need to save for old age income replacement and prepared to exercise freedom of choice within the market place; but also someone reliant on, and happy to defer to, the knowledge and investment skills of a financial institution. Individual freedom of choice (shaped by compulsion and incentives) in an intermediated and regulated market had triumphed over the reconfiguration of British capitalism by an army of active and rational individual investors.

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[82] Introduction by Norman Fowler to *Personal Pensions: A Consultative Document* (London, 1984), p. 2.
[83] Ibid, p. 15. See also the more fleshed out proposals contained with the later green paper – Cmd 9519, *Reform of Social Security: Programme for Change*, *Vol. 2* (1984), pp. 6-8.
[84] AR/M/MISC9/5/3 Box 32, Letter from Nigel Vinson and Philip Chappell to Sherman, 17 July 1984, and 'Centre for Policy Studies: Press Release', 17 July 1984, AC 1240–1244.

Entrepreneurialism was central to Thatcherism's development as a political and economic project. Thatcher herself valorised small business owners and the self-employed as 'wealth creators' whose decisions to 'leave the security of employment' created the profits and jobs vital to Britain's prosperity.[85] In contrast, she portrayed socialists as vindictively attacking entrepreneurs, who resisted state intervention and were 'not the raw material on which to build a Socialist society'.[86] Moreover, Thatcherites diagnosed Britain's 'sickness' as resulting from a deficiency of entrepreneurial risk and investment. *The Right Approach to the Economy*, for example, identified in 1977 a 'dearth of private risk capital… at the root of many of the small business sector's problems'.[87] To reverse the habit of living off capital accumulated by past generations, Geoffrey Howe, the future Chancellor, promised to 'restore the legitimacy of getting rich by taking risks'.[88] Thatcherism thus constructed both its political and economic narratives around the entrepreneur's values and economic utility.

At the same time, Thatcherism connected the Tory themes of thrift and saving with the critique of dependency outlined above. 'If you value independence and self-reliance, then you will practice thrift to achieve them', Thatcher argued, and her 'kind of Tory party' would, therefore, encourage saving.[89] Brought together as middle Britain's threatened values, saving and entrepreneurialism could be complementary: 'if both saving and enterprise are penalised', Thatcher warned the 1975 Conservative Women's Conference, then 'those who can do most to increase the prosperity of the workers will simply take their money and their skills abroad'.[90] Yet, this common identity and relationship with prosperity hid an underlying tension. Entrepreneurialism was praiseworthy precisely because it required individuals to 'risk the modest

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85 Margaret Thatcher, 'Speech to Conservative Women's Conference', http://www.margaretthatcher.org/document/102694, MTF 102694, 21 May 1975.
86 Idem, 'Speech to the Industry Conference', http://www.margaretthatcher.org/document/103073, MTF 103073, 9 Jul 1976.
87 *The Right Approach to the Economy*, p. 29.
88 Geoffrey Howe, 'Speech to Bow Group', http://www.margaretthatcher.org/document/111842, MTF 111842, 26 Jun 1978.
89 Thatcher, 'Speech to Conservative Women's Conference'.
90 Margaret Thatcher, 'My kind of Tory Party', *Daily Telegraph*, 30 January 1975.

savings on which the family would depend in hard times' in pursuit of independence. From the beginning, then, Thatcher's medicine contained a potentially volatile blend of thrift and risk.

This tension resurfaced when those advocating personal pensions sought to transform individuals into *both* entrepreneurial investors and prudent savers. The CPS did not simply intend to expose individuals to underlying investments, and to the risks they embodied; it intended to reshape individuals' choices into entrepreneurial ones. It proposed, for example, that individuals be able to draw upon to 25 percent of their accrued investments as 'loan-backs'.[91] Inability to repay these loans would represent a significant risk to an individual's pension. Yet, this added risk was seen as justified because making such loans available to 'those going into self-employment' would help 'the development of new enterprise', and even those unwilling to start new companies could contribute to the entrepreneurial development of existing ones.[92] Individuals might use a proportion of their funds to invest in their employers' companies, for instance. Whilst acknowledging that reliance on the same business for employment and savings might not be prudent, the CPS was keen to transfer this judgement between prudence and entrepreneurial risk onto the individual.[93] Moreover, individuals should be free to invest part of their PPP in 'venture situations or management buy-outs'.[94] This further introduction of risk was justified by reference to the needs of an entrepreneurial society, which were not being met by existing capital markets. PPPs could fill a 'financing gap' for those opportunities that were too small to be of interest to institutional investors. In meeting this need, the CPS viewed PPPs as a means to 'create a new group of capitalist entrepreneurs'. [95]

[91] CPS, 'Personal and Portable Pensions'.
[92] CPS Evidence to DHSS Inquiry, 1984, TNA: T530/128; Nigel Vinson, 'Notes for CBI Speech', 26 October 1983, TNA: T 530/77. Treasury advisors pointed out that these schemes (so-called 'Section 226' schemes) required security against another asset, not the pension itself: DJ Seammen, 'Portable Pensions', November 1983, TNA: T530/128.
[93] CPS Evidence to DHSS Inquiry, TNA: T530/128.
[94] Ibid.
[95] Ibid.; David Howell identified similar problems in: *Freedom and Capital: prospects for the property-owning democracy* (Oxford, 1981), pp. 22-3.

However, the CPS also conceptualised its proposals as encouraging thrifty saving.[96] The increased choice brought about through PPPs would, it argued, motivate individuals to save for their old age. A 'much wider range of investment media' would 'increase awareness of savings need' and therefore 'savings propensity would actually increase, particularly among those approaching retirement and whose family commitments are diminishing'.[97] It believed accordingly that, through personal pensions, 'virtually all individuals would make adequate savings for their old age (as the self-employed currently do); it would mark a return to words such as "thrift"'.[98] The individual envisaged by the CPS was, therefore, not only a capitalist entrepreneur but also a saver who prudently used their freedom to achieve independence.[99]

In theory, there need not be a tension between saving for old age and entrepreneurial investments. When applied to individuals, though, the prudence implicit in saving could conflict with the risks implicit in entrepreneurship. As we have seen, when confronted with critics who argued that individuals would not be capable of managing their investments, the CPS reluctantly refocussed its plans onto widening choice. This retreat quickened considerably when these critics added that individuals' 'hyper-cautious' saving and investment attitudes might mean that personal pensions would actually reduce the supply of entrepreneurial capital available.[100] If individuals were freed to pick investments directly, their caution might lead them to disproportionately back established companies or 'risk-free assets' over new ventures which offered higher returns but which also carried more risk.[101] Instead of disputing its critics' characterisation of individuals as risk-averse, the CPS fell back on the caveat that 'the overwhelming proportion… would entrust total management of their pension plan to one of the

96 Vinson saw reversing the 'discouragement' of thrift as an aim from the outset: Nigel Vinson to Margaret Thatcher, 11 June 1981, http://www.margaretthatcher.org/document/121412, MTF 121412.
97 CPS Evidence to DHSS Inquiry, TNA: T530/128.
98 Ibid.
99 Ibid.
100 Ibid.
101 Evidence from the US & UK Section 226 schemes suggested this: 'Save and Prosper Group, Memorandum on Portable Pensions', TNA: T50/128; Maurice Oldfield to N Montagu, 'Inquiry into Provision for Retirement: Portable Pensions', 24 January 1984, TNA: BN 147/26.

institutions designated'.[102] Accordingly, beyond the initial choice of a scheme, it would be institutions and their fund managers – those accustomed to risk taking – who implemented entrepreneurial investment strategies.[103] Concern that individuals would (perhaps prudently) not risk their savings to back entrepreneurs without the aid of intermediaries thus ensured that consumer choice became the main route to the flexible capital markets neoliberals hoped for, rather than the direct actions of millions of entrepreneurial investor-savers.

Yet, the tension between prudent saving and risk also exposed contradictions within the CPS's claims about the ability of greater competition and choice to better align institutions' investment strategies with the needs of the entrepreneurial economy. On the one hand, the CPS argued that the new market created by personal pensions would encourage existing institutions and new providers to offer a wider range of products that reflected different levels of risk.[104] Pensions providers would themselves become more entrepreneurial organisations, and, as the products they offered embraced more risk, they would fuel entrepreneurial activity in the wider economy. On the other hand, when it needed to reassure ministers that people's savings would be managed responsibly, the CPS downplayed the market changes that personal pensions would bring about. It argued that many existing occupational schemes would set up individual (so-called unitised) schemes designed for handling personal pensions, and these, the CPS maintained, would likely 'adopt the investment strategies of the main fund'.[105] Thus, when necessary, the CPS admitted that many personal pensions would be invested according to the very strategies that it claimed stymied entrepreneurship.

Regardless of whether individuals or fund managers selected the underlying assets, personal pensions could not offer the certainty of occupational schemes because they were inherently riskier, being susceptible to the performance of selected investments, wider market

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[102] CPS Evidence to DHSS Inquiry, TNA: T530/128.
[103] Actually there had been doubts about fund managers risk-taking: Eric Short, 'Pension Funds "too vital to be left to managers"', *Financial Times*, 15 November 1977.
[104] CPS Evidence to DHSS Inquiry, TNA: T530/128.
[105] Ibid.

volatility, and inflation. Yet, protection against the latter was a key goal for prudent savers in the 1980s, and earlier forms of 'defined contribution' pensions (i.e. pensions the value of which would depend on contributions and investment performance rather than on any defined benefit such as a proportion of final salary) were widely condemned for leaving pensioners vulnerable to inflation. For all advocates of personal pensions, the 1982 innovation of inflation-proofed 'index-linked' government securities offered a means of overcoming similar objections.[106] However, this solution contradicted the claims made for personal pensions as a motor for entrepreneurial activity since the underlying assets were an investment in government debt, not in new or expanding businesses. Insofar as personal pensions depended upon 'index-linked gilts to protect against inflation [they did] not increase enterprise', the Treasury's advice concluded.[107] Far from encouraging risk-taking, they would encourage the investor 'to sit back, secure in the knowledge that the taxpayer was taking the full risk of inflation-proofing his pension'.[108] They might even make it harder for entrepreneurs to borrow by weakening the market for risk-bearing opportunities.[109] Thus, measures designed to mitigate the initial tension between prudent saving and risky entrepreneurial investment inadvertently created a further wave of contradictions that undermined personal pensions' ability to act as a spur to entrepreneurial activity.

This irony was, however, a symptom of the wider tension within the neoliberal concept of the individual that critics identified within Chappell and Vinson's proposals. 'When it suits his case', A.J White (Principal in the Treasury's Social Security Division) argued, '[Vinson] implies the likelihood of a great creative entrepreneurial spirit amongst the newly freed while elsewhere he suggests a very cautious approach'.[110] Indeed, the Treasury (which feared the cost of tax subsidies to personal pensions) used this conflict between entrepreneurship and prudence to

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106 CPS Evidence to DHSS Inquiry, TNA: T530/128.

107 Seammen, 'Portable Pensions', TNA: T530/128.

108 DJ Seammen to GW Watson, 'Inquiry into Provision for Retirement Evidence from NAPF and Mr Vinson', 10 January 1984, TNA: T 530/128.

109 Ibid.

110 AJ White to DJ Seammen, 'Enquiry into Provision for Retirement: Evidence from NAPF and Mr Vinson', 11 January 1984, T 530/128.

expose contradictions within the more limited proposals for greater choice. Ridley, for example, argued that, whilst 'entrepreneurially-minded' individuals might be able to choose more 'risk-orientated' funds, so long as something akin to the Occupational Pensions Board regulations protected pension investments, there would be 'very little scope for any major increase in risk taking by fund managers'.[111] Dianna Seammen (an Assistant Secretary in the Treasury's Social Security Division) even turned the aim of entrepreneurialism against the project's individualising premise. Given that collective schemes could pool risk they would logically be able to 'undertake more venture capital investment than an individual saving for retirement', making 'greater entrepreneurial thrust in pension schemes… a more promising avenue'.[112] The tension between entrepreneurship and saving was not simply forcing the CPS to trim its ambitions; it allowed its opponents within the Treasury to expose a basic incompatibility between its aims.

It is unsurprising, then, that the government largely abandoned entrepreneurialism as a justification for reform. Legislation introduced a measure of portability: anyone changing jobs could transfer all their pension rights to a personal pension.[113] Yet, excepting a few short references to job creation, neither the 1984 Green Paper nor the final policy explicitly connected labour mobility and entrepreneurialism.[114] Nor did the 1986 legislation include the CPS's radical proposals for individuals to be allowed to invest directly in venture opportunities, management-buy-outs, their employer's companies, or in their own businesses (because they were judged to be too risky). In fact, even the CPS recalibrated its argument. Its *Pensions Privilege* (1988) maintained that individuals should have direct control over their investments and that this liberation would enable them to invest either in their employers' businesses or in other ventures, such as their 'nephew's newly established software business'.[115] However, the claimed benefits of such direct

[111] Adam Ridley to Chancellor of the Exchequer, 'Portable Pensions and All That', 11 November 1983, TNA: T 530/128.
[112] Seammen, 'Portable Pensions', TNA: T530/128.
[113] C(85)27, 'Review of Social Security: Final Decisions, Memorandum by the Secretary of State for Social Services', 25 November 1985, TNA: CAB 129/219/27
[114] *Cmd 9518, Reform of Social Security: Programme for Change*, p. 5.
[115] Philip Chappell, 'Pensions Privilege: how to end the scandal, simplify taxes and widen ownership, *Centre for Policy Studies*, Policy Study No. 96, (London, 1988), p. 23.

control were now said to lie in the improved performance of businesses with high rates of 'employee financial participation' and in the increased personal freedom to choose riskier investments over the diversification recommended by 'so-called superior wisdom'.[116] Indeed, the CPS's earlier claim that personal pensions would kick-start a newly entrepreneurial society was now only made implicitly. Thus, unlike arguments for unmediated ownership or individual responsibility, which remained central to the personal pensions case after their most radical policy expression had fallen away, the entrepreneurial argument for personal pensions was allowed to fade.

VI

The Thatcher era left Britain with a reconfigured pensions system that gave individuals the freedom to make their own arrangements by purchasing personal pension products offered by financial service companies. Thus, the individual taking out a personal pension was expected to act as a consumer whose agency was expressed through free choice within a competitive market. These choices were, however, both bounded by the state and institutionally mediated: to ensure that individuals acted rationally they were seen to require guidance, protection, and incentives provided by the state; and the investment of their pensions savings would be undertaken by private pension providers rather than via direct investment. While a minority might have been trusted to make the correct decisions on their own, the government's pension legislation reflected its pragmatic acceptance of a population of individuals with varying (and generally very low) levels of financial knowledge, entrepreneurial and risk-taking inclination, rationality, and propensities to save.

[116] Ibid.

The findings presented here clearly reveal an 'implementation gap' between what one might term 'Thatcherism in principle', and 'Thatcherism in practice'.[117] For example, when confronted with the actually-existing individual, who was said to be either reluctant or unable to make investment decisions alone, the CPS's plan for unmediated individual access to investment markets was rejected. Yet it was not only the 'crooked timber of humanity' that constrained the Thatcherite agenda. Our analysis has demonstrated that there were fundamental variations and contradictions in how the individual under Thatcherism was both conceptualised and expected to behave by the various architects of reform. Most notably, the intention to use the pensions system in support of entrepreneurialism did not sit easily with the stated intention of encouraging individuals to be prudent savers.

What does the analysis reveal about Thatcherism and its relationship with neoliberalism? Should we see the eventual 'personal pensions' reforms as a failure to implement 'true' neoliberalism – as championed by Vinson and Chappell?[118] That would be problematic because, although the CPS ideal of creating a pension system which produced entrepreneurial, individual investor-capitalists was abandoned, its replacement (individual free choice of products from multiple providers) accords neatly with Hayek's proposal for compulsory private insurance in *The Constitution of Liberty*.[119] A simple metric which purports to measure the degree of 'neoliberalism' thus fails to account for the many varieties of neoliberalism. Furthermore, this inconsistency both within and between neoliberal thought and practice challenges the tendency for those working in the Foucauldian tradition to identify an essential neoliberal subjectivity being formed in this period.

We should, instead, understand Thatcherism as a *pathway* through the diverse array of neoliberal ideas (many, though not all, of which were rooted in the Conservative Party's

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[117] David Marsh and R. A. W. Rhodes, *Implementing Thatcherite Policies : Audit of an Era*, (Buckingham, 1992). See also David Dolowitz et al., 'Thatcherism and the 3 'Rs': Radicalism, Realism and Rhetoric in the Third Term of the Thatcher Government', *Parliamentary Affairs* 49: 3 (1996), 455-69.
[118] They certainly viewed it this way – see Chappell, 'Pensions and Privilege'.
[119] Hayek, *The Constitution of Liberty*, 248-265.

intellectual traditions). In the case of 'personal pensions', the policymaking process was instigated by a unique strain of neoliberalism advocated by the CPS. However, as the original proposals were made concrete, some of the initial intentions were jettisoned or downplayed whilst other neoliberal ideas (easily available and adaptable) were embraced and/or took on a newfound centrality. Sometimes, these shifts in the dominance of particular conceptions of the individual arose from a clash of alternative ideas within neoliberal theory or from the confrontation of those ideas with reality; but on other occasions shifts arose from the apparent incompatibility of different conceptions of the individual. In the working out of those contradictions some original aims could survive (for example the desire to break institutional power persisted to an extent despite its mechanism switching from direct ownership to consumer choice). Other aims, however, most notably the desire to use pensions saving to encourage entrepreneurialism, were forced out or downgraded.

Attempts to introduce 'personal pensions' in the 1980s should, therefore, reinforce historians' developing suspicions that we need to move beyond an increasingly sterile debate about whether Thatcherism was a personal project; implicit in post-war Conservatism; mere Statecraft; or a local expression of a monolithic transnational ideology. We should instead build on Sutcliffe-Braithwaite's recognition that Thatcherism reflected particular strains of neoliberalism compatible with Thatcherites' specific readings of their Conservative inheritance. Yet, our analysis also suggests that historians must resist the temptation to characterise the more complex 'ideology' that actually emerged as either coherent or stable. Nor should we simply see it as the haphazard remains of a pre-formed ideology that was constrained by pragmatic accommodation with reality. Thatcherism was, in sum, a dynamic, agile political project, whose real-world ideological expressions were not so much derived from stable principles as constructed 'in flight' as politicians, civil servants and stakeholders negotiated the profound contradictions they discovered within the underlying neoliberal ideas. There was no coherent, pre-formed 'neoliberal individual' at the heart of the Thatcherism. If the Thatcher governments' original intention to was to create a society of entrepreneurial investor capitalists, this was destroyed by an accumulation of tensions and inconsistencies within that particular vision. From the wreckage of this ideal emerged an alternative conceptualisation of the individual upon which was built a reform agenda based on managed consumer choice in a competitive marketplace.